U.S. Department of Housing and Urban Development
Community Development and Planning

Special Attention of:

CPD Division Directors
All HOME Program Coordinators
All HOME Participating Jurisdictions
All Homeless Assistance Program Recipients

NOTICE: CPD 01-01
Issued: January 17, 2001
Expires: January 17, 2002

Cross References:
Supersedes CPD 94-11

Subject: Guidance on Combining Program Funds of the McKinney Act Programs and the HOPWA Program with the HOME Program.

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I. PURPOSE AND BACKGROUND:

The purpose of this notice is to guide Participating Jurisdictions (PJs) and private nonprofit organizations in using HOME funds together with HUD Continuum of Care homeless assistance funds under the Stewart B. McKinney Act programs. The Office of Community Planning and Development also administers the Housing Opportunities for Persons with AIDS (HOPWA) Program which is designed to provide housing and services to persons with HIV/AIDS, and can be used to prevent homelessness among persons with HIV/AIDS, and may assist persons who are homeless. Throughout this notice the term "homeless and HIV/AIDS-assistance programs" will refer to all of the above programs administered by the Office of Community Planning and Development.

This notice illustrates the uses of and compatibility between HOME and the homeless and HIV/AIDS assistance programs and highlights opportunities that can maximize the effect of combining program funds. The notice is designed to expand the reader's familiarity with the McKinney Act programs, the HOPWA program, and the HOME Program. It begins with informing the reader of the various programs' intents and their requirements. **Readers with a working knowledge of these programs may skip the following overview and go directly to Section III entitled *USING HOME AND HOMELESS AND HIV/AIDS ASSISTANCE PROGRAM RESOURCES* on page 17.**

Readers are reminded that this Notice serves only as a guide to possible ways of combining the programs' funds. In so doing, only a portion of the applicable rules and regulations are highlighted. Therefore, the latest edition of each program's regulations should be reviewed during the planning stages. To ensure that you have the latest edition, check with the local HUD Community Planning and Development Office.

The Home Investment Partnerships Program

Title II of the National Affordable Housing Act (NAHA) established the HOME Investment Partnerships Program, more commonly known as the HOME Program. The purpose of this program is to:

- expand the supply of decent, safe, sanitary, affordable housing for very low-income and low-income families,

- to mobilize and strengthen the abilities of States and units of local government to design and implement strategies to achieve affordable housing,

- to promote the development of partnerships among the Federal government, States and units of general local government, private industry, and nonprofit organizations able to utilize effectively all available resources to provide more of such housing, and

- expand the capacity of nonprofit community housing development organizations to develop and manage decent safe, sanitary, and affordable housing.

The HOME Program regulations are contained at 24 CFR Part 92. The HOME Final Rule was published on September 16, 1996, and is available in a consolidated format from either the appropriate HUD Field Office or the Community Connections Clearinghouse (1-800-998-9999).

The HUD Homeless and HIV/AIDS Assistance Programs

HUD administers 5 individual homeless assistance programs, which are authorized by the Stewart B. McKinney Homeless Assistance Act. The programs' purposes are as follows:

Emergency Shelter Grants (ESG), 24 CFR Part 576

- to help improve the quality of existing emergency shelters for the homeless, to open additional shelters,
- to meet the costs of operating shelters and provide essential social services to homeless individuals, and
- to prevent homelessness.

Supportive Housing Program (SHP), 24 CFR Part 583

- to promote the development of supportive housing and supportive services, including innovative approaches to assist homeless individuals in the transition from homelessness to independent living and
- to promote the provision of supportive housing to homeless persons to enable them to live as independently as possible.

Shelter Plus Care (S+C), 24 CFR Part 582

- to provide rental assistance, in connection with supportive services funded from other sources, to homeless persons with disabilities (primarily persons who are seriously mentally ill, have chronic problems with alcohol, drugs, or both, or have AIDS and related diseases) and the families of such persons.

Section 8 Moderate Rehabilitation Program for Single Room Occupancy (SRO) Dwellings for Homeless Individuals, 24 CFR Part 882

- to provide rental assistance on behalf of homeless individuals in connection with the moderate rehabilitation of SRO dwellings.

Title V Surplus Federal Property for Use to Assist the Homeless

- To identify suitable federal properties categorized as unutilized, under-utilized, excess, or surplus, and
- to make the properties available to states, units of local government and nonprofit organizations for use to assist homeless individuals.

Housing Opportunities for Persons with AIDS (HOPWA)

HUD administers one program to provide states and localities with resources and incentives to devise long-term comprehensive strategies for meeting the housing needs of persons with HIV/AIDS and their families. It is the HOPWA Program, and is authorized by the AIDS Housing Opportunity Act of 1990.

II. THE PROGRAMS AND THEIR REQUIREMENTS:

The HOME Program Requirements

The HOME Program relies upon the operation of existing partnerships and requires the forging of new ones. These partnerships involve Federal, State, and local governments, nonprofit organizations, and private lenders.

A State or local government that administers the HOME Program is known as a participating jurisdiction (PJ). PJs are responsible to HUD for compliance with all HOME Program rules and requirements, as they administer the program directly or provide HOME assistance to subrecipients and other entities. Forty percent of HOME funds is allocated to States, while the remaining 60% is allocated to local governments and consortia of local governments.

A Community Housing Development Organization (CHDO) is a “special” nonprofit organization that will develop, sponsor, or own affordable housing within a community. A minimum of 15% of a PJ's HOME allocation must be reserved for investment in CHDO projects. PJs must reserve these funds (known as the CHDO set-aside) to CHDOs within 24 months of their obligation by HUD. The rules under which CHDOs operate are found under 24 CFR 92, Subpart G.

Eligible Participants

The HOME Program requires that 100% of the HOME funds be used to benefit very low-and low-income families. No HOME funds can be used to assist families who do not qualify as low-income (that is, annual incomes less than 80% of median income as adjusted by HUD.)

Specific participant eligibility criteria vary with the type of assistance being provided. For example, homeowners and homebuyers must have incomes below 80% of median income for the area. When HOME funds are used for rental housing and tenant assistance, 90% of the HOME families assisted must have incomes at or below 60% of median income (§92.216 (a)(1)).

Activities

HOME funds can be used for housing within three major activity groups: 1) homeownership programs, 2) rental housing production, and 3) tenant-based rental assistance (TBRA). Within the three groups, there are four specific eligible activities. These activities are illustrated in Table 1 below, and are described in the HOME Final Rule under section 92.205.

Costs are eligible for HOME funding only when incurred in conjunction with one of the four eligible activities. For example, 1) land acquisition is an eligible HOME activity only when acquired for a specific housing project, 2) site improvements for HOME-assisted units must be in keeping with improvements of surrounding standard projects, and 3) demolition is an eligible activity only when the site is being cleared for a HOME project. Eligible HOME-project costs are detailed at section 92.206 and include relocation costs, finance-related costs, construction-related costs, project audit costs, and costs associated with affirmative marketing and fair housing. Section 92.214 of the HOME final rule details the Program's prohibited activities.

TABLE 1: HOME ELIGIBLE ACTIVITIES, §92.205

- Acquisition of property, including downpayment and closing cost assistance
- Rehabilitation, including conversion and reconstruction
- New Construction
- Tenant-based rental assistance, including security deposit assistance

TABLE 2: HOME ELIGIBLE COSTS, §92.206

- Development hard costs (i.e., new construction, rehabilitation)
- Refinancing costs associated with existing debt
- Acquisition costs
- Related soft costs (i.e., architectural, engineering, project audit, project impact fees)
- Relocation costs

Financial Assistance

Various forms of financial assistance may be provided with HOME funds, as long as the HOME funds are expended within 15 days of the requested disbursement from the U.S. Treasury. Eligible forms of financial assistance include:

- Interest Bearing loans
- Non-interest bearing loans
- Deferred loans (both forgivable and repayable)
- Grants
- Interest subsidies
- Equity investments
- Loan guarantees

A PJ must request approval from the Department of any alternative form of assistance it intends to provide.

Property Standards

HOME-assisted units are required to meet a minimum property standard at project completion, which varies by the activity being undertaken (see 24 CFR 92.251). Table 2 summarizes the minimum

HOME property standards by activity type:

Table 3: HOME's Required Property Standards/§ 92.251

Project Type	Minimum Property Standard
Acquisition of existing housing (no rehabilitation or construction)	Applicable State or local housing quality standards and code requirements. If no local standards/codes apply, Section 8 Housing Quality Standards.
Rehabilitation	Local written rehabilitation standards, AND State and local code requirements. If no local codes apply, one of the following national model codes: • Uniform Building Code (ICBO) • National Building Code (BOCA) • Standard Building Code (SBCCI) OR • Council of American Building Officials one- or two-family code (CABO), OR • Minimum Property Standards at 24CFR 200.925 or 200.926 (FHA). AND • Handicapped accessibility requirements, where applicable (see 24 CFR 92.251(a)(3))

Table 3: HOME's Required Property Standards/§ 92.251 (continued)

Project Type	Minimum Property Standard
New Construction of housing	State and local code requirements If no State and local codes apply, one of the following national model codes: • Uniform Building Code (ICBO) • National Building Code (BOCA) • Standard Building Code (SBCCI) OR • Council of American Building Officials one- or two-family code (CABO), OR • Minimum Property Standards at 24CFR 200.925 or 200.926 (FHA). AND • Model Energy Code AND Handicapped accessibility requirements, where applicable (see 24 CFR 92.251(a)(3)). New construction of rental housing must meet site and neighborhood standards at 24 CFR 983.6(b).

Housing that is newly constructed or substantially rehabilitated with HOME funds must meet all applicable local codes, rehabilitation standards, ordinances, and zoning ordinances. PJs are required to develop written standards for the performance of rehabilitation funded with HOME. Homebuyer units that are to be rehabilitated after transfer of ownership interest must be free from health and safety defects before occupancy and not later than 6 months after transfer. The housing must meet the relevant code standards not later than 2 years after transfer of ownership.

HOME Investment Per Unit

The minimum amount of HOME funds that can be invested in a project is an average of $1,000 per HOME-assisted unit. The average per unit maximum HOME subsidy varies by PJ and may be obtained from the local HUD Field Office. Requests by a PJ to increase the subsidy limits under conditions described in §92.250 will be reviewed by HUD.

Affordability

Section 92.252 of the HOME final rule contains the affordability requirements for rental housing that apply at initial occupancy, and over the period of affordability as determined by the amount of HOME assistance. For example, in rental housing projects containing 5 or more HOME-assisted units, not less than 20% of the HOME-assisted units must be rented at rents not more than 30% of the annual income of a family whose income equals 50% of the area's median income. The remaining HOME-assisted unit rents must be the lesser of the Fair Market Rent for existing housing in the area **or** 30% of the adjusted income of a family whose income equals 65% of the area's median income. The Department has provided some flexibility on these rent standards for HOME-assisted SRO projects (see Section IV, page 23) and HOME-assisted units receiving project-based rental assistance.

For HOME-assisted rental housing, 100% of the HOME-assisted units must remain affordable for a fixed period of 5 to 20 years, depending on the amount of HOME investment per unit. Table 3 illustrates the long-term affordability periods for HOME-assisted rental housing:

Table 4: Minimum Periods of Affordability for Rental Housing

ACTIVITY	Minimum Period of Affordability
Rehabilitation or acquisition of existing housing per unit amount of HOME funds: Under $15,000.	5 years
$15,000 to $40,000	10 years
Over $40,000, or rehabilitation projects in which HOME refinances an existing mortgage	15 Years
New construction or acquisition of newly constructed housing	20 years

Section 92.254 of the HOME Final Rule covers the requirements for HOME-assisted homeownership projects. Homebuyer properties are subject to the resale or recapture provisions (see §92.254 (a)(4)) throughout the affordability period. Table 4 summarizes the periods of affordability for such projects:

Table 5: Minimum Periods of Affordability for Homeownership Projects

Amount of HOME Subsidy for any Eligible Activity	Minimum Period of Affordability
Under $15,000.	5 years
$15,000 to $40,000	10 years
Over $40,000	15 Years

Resale and Recapture:

To ensure that HOME-assisted units remain affordable, PJs must impose resale or recapture requirements for each homebuyer unit assisted with HOME funds. Under the *Resale* provisions, should the owner sell the house during the period of affordability, he or she is required, under the resale provision, to sell the house to another income-eligible homebuyer. Under the *Recapture* provisions, should the HOME-assisted homebuyer sell the unit during the period of affordability, the PJ recoups all or a portion of the HOME funds used to assist the initial purchase.

HOME Match Requirements

Federal HOME funds must be matched with non-Federal forms of subsidy at a rate of 25 cents for every HOME dollar expended (see §92.218). The premise of the match requirement is that the provision of affordable housing is the responsibility of all levels of government and, as a result, should require a financial commitment from State and local governments as well as from the Federal government. The match is the PJ's contribution to the HOME Program. Match obligations, as detailed at §92.218, are incurred each time a PJ spends HOME funds. The match obligation must be met within each fiscal year, but need not be invested on a project-by-project basis.

The eligible forms of match contribution include cash contributions, including the grant equivalent of a below market interest rate loan; the value of waived taxes, fees or charges; the value of land or real property, not acquired with Federal resources, donated or provided at less than its appraised value; the cost of infrastructure improvements associated with the HOME project; a percentage of loans made to qualified affordable housing from single and multifamily bond proceeds; and the reasonable value of any donated site-preparation and construction materials; the value of any donated or voluntary labor, or professional services; sweat equity; the direct cost of social services; and the direct cost of homebuyer counseling services.

The reader is encouraged to review §§92.218 through 92.222 for detailed requirements of match obligations, recognition of matching contribution, forms of match, match credit, and match reduction.

<u>The Homeless and HIV/AIDS Assistance Program Requirements</u>

Homeless assistance programs improve the condition of the most desperate of those in need in America. They help provide homeless people with housing and a full range of services to regain independent living. HUD has five programs that provide homeless assistance in local communities: the Supportive Housing Program (SHP), Shelter Plus Care (S+C), Section 8 Moderate Rehabilitation Single Room Occupancy (SRO) program, Emergency Shelter Grant (ESG) and Title V Federal Surplus Properties.

The homeless assistance programs provide resources that can be used by communities in establishing a Continuum of Care system, a balanced inventory of facilities – emergency shelter, transitional housing and permanent housing – all interrelated in a single system. The Continuum of Care is a community strategy to reduce homelessness. It organizes housing and services to meet the specific needs of people who are homeless as they move to stable housing and maximum self-sufficiency. It includes action steps to end homelessness and prevent a return to homelessness. The Continuum of Care emphasizes permanent solutions to homelessness.

The SHP, S+C and SRO grant awards are made on a competitive basis. The competitions are announced by publication of a Notice of Fund Availability (NOFA) in the Federal Register. The NOFA sets forth the process for awarding funds. The application selection process consists of four basic steps:

Step I Applicants work with their local CoC community to develop projects and submit proposals.

Step II HUD reviews the proposals and makes conditional selections.

Step III Selectees submit a Technical Submission containing more detailed technical information not contained in the original application.

Step IV Selectees sign a grant agreement with HUD and begin project activities.

Eligible Participants

The homeless assistance programs may help only those persons who are literally homeless. These programs may assist persons who are living in emergency shelters; in places not meant for human habitation, such as cars, parks, sidewalks, or abandoned buildings; or are about to reside in a shelter or on the street. The limited resources of these homeless assistance programs are not intended to be used to improve the living conditions of persons residing in substandard housing or doubled-up situations. However, families and individuals who are just about to lose their housing through eviction and lack the resources and support networks needed to obtain access to housing are eligible to participate if they would otherwise become literally homeless. Homelessness prevention activities are eligible in ESG.

In regard to the SRO Program, rental assistance may only be provided to persons meeting the definition of homeless under the McKinney Act. Current residents of units proposed for assistance may remain in the building (without HUD SRO assistance) or may receive relocation payments and assistance from eligible non-SRO Program sources. Look to the NOFA for requirements regarding the percentage of units which must be vacant at time of application. Since relocation requirements are complex, please contact the Field Office Relocation Specialist or an experienced government relocation agency during the project planning stage.

Emergency Shelter Grant (ESG) Requirements

ESG funds are awarded to States, metropolitan cities, urban counties, and territories, according to the formula used for Community Development Block Grant (CDBG). Nonprofit organizations may apply for ESG funds directly from States and from units of general local government. Units of general local government may also apply for funds directly from States.

Table 6: ESG ELIGIBLE ACTIVITIES

- Renovation, major rehabilitation, or conversion of buildings for use as emergency shelter.
- Up to 30% on essential services for the homeless (waiver possible).
- Up to 30% on homeless prevention efforts.
- Shelter operating costs, such as maintenance, insurance, utilities, rent, and furnishings, etc. No more than 10% for operating staff costs.

Any building assisted with ESG funds must meet government safety, sanitation, and habitability standards. Where ESG funds are used for renovation, the building must be maintained as a shelter for at least three years. Where ESG funds are used for major rehabilitation or conversion, the building must be maintained as a shelter for ten years.

If ESG funds are used for a homeless prevention activity that assists families that have received eviction notices or notices of termination of utility services, the following conditions must be met:

- Inability to make payment must result from a sudden reduction in income;
- Assistance is necessary to avoid eviction or termination of services;
- Reasonable prospect that the family will resume paying within a reasonable time; and
- Assistance must not supplant funding from preexisting sources.

The above summarizes key requirements. The ESG regulations are at 24 CFR 576.

Supportive Housing Program (SHP) Requirements

This program awards grants, on a competitive basis, to governmental entities and private nonprofit organizations to provide supportive housing and supportive services to homeless persons. The SHP requirements are at 24 CFR 583; highlights are described here.

The SHP program has five components:

- The transitional housing component provides homeless individuals and families with temporary housing and services to enable them to move to permanent housing within a 24-month period (or under certain circumstances, for a longer period), which may include up to 6 months of follow-up services after residents move to permanent housing.

- The permanent housing component provides long-term housing and supportive services designed to maximize the ability of homeless persons with disabilities to live as independently as possible.

- The supportive services only component provides services to homeless individuals and families in the community. The supportive services may be provided at a central site or the supportive services may be provided at various locations in the community.
- The safe haven component is a form of supportive housing in which a structure, or a clearly identifiable portion of a structure, meets the following criteria: (1) serves hard-to-reach homeless persons who have severe mental illness, are on the streets, and have been unable or unwilling to participate in supportive services; (2) provides 24-hour residence for an unspecified duration; (3) provides private or semiprivate accommodations; and (4) has overnight occupancy limited to 25 persons. A safe haven may also provide supportive services to eligible persons who are not residents on a drop-in basis.

For many persons with mental illness who have been living on the streets, the transition to permanent housing is best made in stages, starting with a small, highly supportive environment where an individual can feel at ease, out of danger, and subject to no immediate service demands. Safe havens do not require participation in services and referrals as a condition of occupancy. Rather, it is hoped that after a period of stabilization in a safe haven, residents will be more willing to participate in services and referrals, and will eventually be ready to move to more traditional forms of housing. Safe havens can serve as an entry point to the service system and provide access to basic services such as food, clothing, bathing facilities, telephones, storage space, and mailing addresses.

- The innovative housing component is housing that is, or is a part of a particularly innovative project for, or alternative methods of meeting the immediate and long term needs of homeless persons. The NOFA usually requires that applications for this component be innovative in comparison to other applications and projects that have been funded. In particular, an innovative project should be able to be used as a model.

Table 7: SHP ELIGIBLE ACTIVITIES

- Acquisition of structures for supportive housing or to provide supportive services.
- Rehabilitation of structures for supportive housing or to provide supportive services
- New construction of buildings for supportive housing where there is a lack of appropriate units that could be rehabilitated or the new construction costs substantially less than rehabilitation.
- Leasing of structures for supportive housing or to provide supportive services.
- Operating costs of supportive housing.
- Supportive services.

Any building assisted with SHP funds must meet local government safety and sanitation standards and federal habitability standards described in 24 CFR 583.300(b). Where SHP funds are used for acquisition, rehabilitation, or new construction, the project must be operated for 20 years from the date of initial operation.

Each resident of supportive housing may be required to pay an occupancy charge of the highest of 30% of the family's monthly adjusted income, 10% of the family's monthly income, or the payment received from a public agency designated for such purpose.

Funding for acquisition and rehabilitation in localities with high cost percentages are limited as follows:

100% to 119%, the limit is $200,000
120% to 139%, the limit is $250,000
140% to 159%, the limit is $300,000
160% to 174%, the limit is $350,000
175% and up, the limit is $400,000

Funding for new construction is limited to a maximum of $400,000 regardless of the project's location.

Grantees must match SHP funds used for acquisition, rehabilitation, and new construction with an equal amount of cash.

Grantees must share in the operating costs of the project since SHP funds for such costs are limited to 75% in the first two years of a project, and 50% for the following years. The appropriations acts for FY 1999 and 2000 required grantees to share in operating costs. Applicants should check NOFA requirements.

Shelter Plus Care (S+C) Requirements

States, local governments, and public housing agencies are eligible to receive S+C grants. Grants are awarded through a national competition. The regulations are at 24 CFR 582; highlights follow.

There are four components to this program:

- Tenant-based Rental Assistance (TRA) provides grants for rental assistance over a five-year period. Participants reside in housing of their choice, except that, where necessary to facilitate the coordination of supportive services, grant recipients may require participants to live in a specific area for their entire period of participation or in a specific structure for the first year and in a specific area for the remainder of their period of participation.

- Sponsor-based Rental Assistance (SRA) provides grants for rental assistance over a five-year period, through contracts between the grant recipient and sponsor organizations. A sponsor may be a private, nonprofit organization or a community mental health agency established as a public nonprofit organization. Participants reside in housing owned or leased by the sponsor.

- Project-based Rental Assistance (PRA) provides grants for rental assistance, through contracts between the grant recipient and owners of existing structures with units that will be leased to participants. Rental subsidies are for five years, or for ten years where the owner completes at least $3,000 of rehabilitation per unit (including prorated share of common areas) to make the structure decent, safe, and sanitary within 12 months of grant agreement.

- Single Room Occupancy Dwellings (SRO) provides grants for rental assistance in connection with the moderate rehabilitation of single room occupancy housing units. Resources to fund the cost of rehabilitating the dwelling must be from other sources. The rental assistance covers operating expenses of the SRO housing including debt service for rehabilitation financing, provided the monthly rental assistance per unit does not exceed the moderate rehabilitation FMR for an SRO unit, as established by HUD.

Table 8: S+C ELIGIBLE ACTIVITY

- Rental Assistance
- Up to 8% of the grant amount may be used for costs of administering the rental assistance.

The program assists homeless individuals with disabilities, primarily those with serious mental illness, chronic problems with alcohol and/or drugs, and acquired immunodeficiency syndrome (AIDS) or related diseases.

The program's requirements include:

- Outreach -- The program is designed to serve the disabled hard-to-reach population that lives on the streets, in subways, emergency shelters, etc. To ensure that this population is served, outreach efforts are required to obtain their participation.

- Supportive service match -- Applicants must match the aggregate amount of rental assistance with at least the same amount of supportive services.

- Eligible structures -- With the exception of the SRO component, assisted units may be of any size, and must meet applicable housing quality standards.

- Rent reasonableness--Rents charged must be reasonable in relation to rents being charged for comparable unassisted units, as well as not in excess of rents currently being charged by the same owner of comparable unassisted units.

The Section 8 Moderate Rehabilitation Program for Single Room Occupancy (SRO) Dwellings for Homeless Individuals Requirements

Public housing agencies and private nonprofit organizations are eligible to apply for SRO assistance. Grants are awarded through a national competition. The regulations are at 24 CFR 882, subpart H; a summary follows.

The SRO program provides rental assistance in connection with the moderate rehabilitation of single room occupancy housing units. Resources to fund the cost of rehabilitating the dwelling must be from other sources. The rental assistance covers operating expenses of the SRO housing including debt service for rehabilitation financing. However, the monthly rent charged by the owner per unit is limited to the moderate rehabilitation fair market rent (FMR) for an SRO unit, as established by HUD. This is generally 90% of the FMR for a zero-bedroom (efficiency) unit.

Table 9: SRO ELIGIBLE ACTIVITY

- Rental Assistance

The program's requirements include:

- The program serves homeless persons living on the streets and in emergency shelters. To ensure that this population is served, outreach efforts are required to obtain their participation.

- The structure used may be of any type, but when rehabilitation is completed, the unit must meet the definition of SRO housing, i.e., a residential property that includes multiple single room dwelling units. Each unit is for occupancy by a single eligible individual. The unit need not, but may contain food preparation or sanitary facilities, or both.

- Each assisted unit in the structure must require a minimum of $3,000 of rehabilitation, including its prorated share of the work to be accomplished on common areas or systems, to meet HQS.

- No single project may contain more than 100 units.

- Rents charged must be reasonable in relation to the rents being charged for comparable unassisted units, as well as not in excess of rents currently being charged by the same owner for comparable unassisted units.

- Tenants must pay as rent the highest of;
  30% of monthly adjusted income
  10% of monthly income; or
  The payment received from a public agency designated for rent.

- Private nonprofit organizations which are grantees must contract with a Public Housing Authority to administer the assistance.

- Displacement is not allowed

- Upon completion of rehabilitation, the owner must rent all formerly vacant units to homeless persons.

The Title V Program Requirements

The Title V Program provides nonprofit organizations, states and local governments the opportunity to assist the homeless through the use of unutilized, underutilized, excess, or surplus Federal real properties. These properties may be used as a facility to assist homeless persons. HUD publishes a weekly (every Friday) notice in the Federal Register listing the real property, whether HUD has found it suitable to assist the homeless, and whether it is available for such use. Program regulations are at 24 CFR 581.

Depending on the availability of the property, and subject to HHS approval, the nonprofit organization may receive a deed or lease of the property.

Application process:

The Department of Health and Human Services (HHS) handles the application portion of the program. Interested providers should notify HHS of their intention to apply for a property within 60 days of the Federal Register notice, but they can apply later if the property is still available.

Applicants have 90 days after an expression of interest is received by HHS to submit an application. Once an application is complete, HHS acts on it within 25 days.

The property is subject to a reversion, or in the case of a leasehold interest, termination, if the property ceases to be used to assist the homeless.

Housing Opportunities for Persons with AIDS (HOPWA) Requirements

The HOPWA Program provides resources for comprehensive strategies for meeting housing and/or services needs of low-income persons with HIV/AIDS, and their families. Program requirements are contained at 24 CFR 574.

The program authorizes two types of grants:

- Formula grants available annually through the Consolidated Planning process to eligible States and the largest cities in eligible metropolitan areas that have at least 1,500 cases of AIDS; and

- Competitively awarded grants under HUD’s annual Super NOFA competition for special projects of national significance and for other projects in areas not receiving formula grants. Selection criteria and application requirements are established in the Super NOFA.

Table 10: HOPWA ELIGIBLE ACTIVITIES

- Housing information services which assist eligible individual to locate, acquire, finance and maintain housing;
- Resource identification to establish, coordinate and develop housing assistance resources for eligible persons;
- Acquisition, rehabilitation, conversion, lease, and repair of facilities to provide housing and services;
- New construction for SRO and community residences only;
- Project-or tenant-based rental assistance;
- Short-term, mortgage, and utility payment to prevent homelessness (up to 21 weeks);
- Supportive services;
- Operating costs for housing;
- Technical assistance in establishing and operating a community residence; and
- Administrative expenses (not more than 3% of the grant amount may be used by the grantee; not more than 7% of the grant amount for project sponsors).
- For competitive grants only, other activities approved by HUD.

The program's requirements include:

- Any building assisted with HOPWA funds must meet local government safety and sanitation standards and Federal habitability standards described in 24 CFR 574.310(b). Any building or structure assisted with HOPWA funds for acquisition, construction, or substantial rehabilitation must be used to assist individuals with HIV/AIDS for at least 10 years, or, if non-substantial rehabilitation, for at least 3 years.

- Grantees must establish a grace period, not to exceed one year, during which surviving family members of a person with HIV/AIDS, who lived with the person with HIV/AIDS at the time of his/her death, may continue to receive HOPWA housing and supportive service assistance. At the end of the grace period, assistance to survivors terminates.

- Funds are expected to be used within 3 years of receipt (i.e., date of the grant agreement).

- Tenants benefiting from residency in housing facilities or in rental assistance programs must pay as rent the highest of:
  30 % of monthly adjusted income;
  10 % of monthly income; or
  The payment received from a public agency designated for rent (see 24 CFR 5.611 for adjustments to family income)

- Rents charged must be reasonable in relation to the rents being charged for comparable unassisted units, as well as not in excess of rents currently being charged by the same owner for comparable unassisted units.

- In addition to the availability of appropriate supportive service by qualified service providers, individuals with HIV/AIDS requiring more intensive care than can be provided in the housing assisted with HOPWA funds must have access and reference to an appropriate care provider.

- Homeless prevention -- Short term rent, mortgage, or utilities payments are allowed to enable eligible individuals to remain in their own dwellings (limited to 21 weeks).

III. USING HOME, AND HOMELESS and HIV/AIDS ASSISTANCE PROGRAM RESOURCES:

The homeless and HIV/AIDS assistance programs and the HOME program provide significant resources. In FY 2000, $1.02 billion are available through the homeless programs, $240 million are available through HOPWA, and $1.61 billion are available through the HOME program. As shown in this section, those funds may be used in a variety of ways. States, localities, and homeless assistance providers may want to begin developing, or further develop, a continuum of care so that these resources are used in the most effective way.

The continuum of care brings homeless persons into a system, assesses their needs, and provides them with a full range of services to regain independent living. It helps ensure transition into permanent housing, with services when necessary, at any stage of need. It seeks to have a balanced inventory of facilities: emergency shelter, transitional housing, and permanent housing -- all interrelated into a single system.

<u>Summary of Eligible Activities</u>

Table 8 illustrates the eligible activities for HOME, McKinney homeless and HOPWA programs. The reader is encouraged to refer to individual program regulations for more details.

Table 11: Program Activities At-A-Glance

PROGRAM	ACTIVITY								
	New Con.	Acq	Rehab.	Rental Asst.	Sup-port Ser-vices	Make Prop Avail.	Lease of Prop.	Oper-ating Costs	Hmls Prev.
HOME	✓	✓	✓	✓					✓
ESG			✓		✓			✓	✓
SHP	✓	✓	✓		✓		✓	✓	
S+C				✓					
SRO				✓					
TITLE V						✓			
HOPWA	✓	✓	✓	✓	✓		✓	✓	✓

TABLE KEY:
New Con. = New Construction Acq. = Acquisition Rehab. = Rehabilitation
Hmls Prev. = Homeless Prevention
Make Prop Avail. = the program makes properties available for use
Lease of Prop. = the program enables properties to be leased for use

<u>Sources for Developing Transitional or Permanent Housing for Homeless Persons</u>

The HOME Program is an excellent source of funds to acquire, rehabilitate or construct transitional or permanent housing. With its generous subsidy limits, HOME funds may be used to cover all or most development costs. By using HOME funds in this way, private debt service can be eliminated or minimized, leaving operating funds obtained through one of the homeless assistance programs available to cover the ongoing costs of maintenance, management, and/or supportive sources.

SHP funds may be used for acquisition and rehabilitation of a structure or units within a structure, however the amount of funds is limited to $200,000 (or up to $400,000 in high cost areas). SHP funds may also be used for new construction where there is a lack of appropriate units that could be rehabilitated or new construction costs are substantially less than rehabilitation. Funding is limited to $400,000 and in the case of both rehabilitation and new construction SHP funds must be matched on a cash basis. HOME funds may provide that necessary match.

Other assistance programs that may be used for development include (1) ESG funds for rehabilitation of units or structures for transitional housing use and (2) HOPWA funds for acquisition and rehabilitation of units or structures for persons with HIV/AIDS. HOPWA funds may be used for new construction of a community residence.

Sources of Rental Assistance

- Tenant-based - Tenant-based rental assistance generally allows a program participant to choose a rental housing unit anywhere in the community, provided the unit meets program standards. HOME, S+C, and HOPWA funds may be used to provide tenant-based rental assistance.

In HOME, the tenant-based rental assistance provided to a program participant lasts for two years, but may be renewed, subject to the availability of funds. In the SRO, S+C and HOPWA programs, assistance is available during the program grant period. S+C grantees may limit participants to a particular structure in their first year of participation and a particular area during their entire participation, if doing so is necessary to facilitate the coordination of supportive services.

- Project-based - In project-based rental assistance, program participants must live in a particular site in order to receive the assistance. S+C, SRO, and HOPWA funds may be used for project-based rental assistance. The assistance is available during the program grant period.

Sources of Properties for Transitional Housing

- Transitional housing - The Title V program leases or deeds unused or underutilized Federal properties at no cost for use as transitional housing.

Sources of Operating Costs and Supportive Services

SHP and HOPWA funds may be used to pay for the operating expenses of transitional or permanent housing. Where SHP funds are used, the costs must be shared, with at least 25% of the costs being paid from sources other than SHP, in the first two years and 50% coming from other sources in the following years. ESG funds may be used to pay operating expenses of transitional housing, except that staff costs are limited to 10%.

Moreover, SHP, ESG, and HOPWA program funds may be used for supportive services for residents of such housing. These services may be provided at the housing facility itself or off-site.

Using HOME for Affordable Housing after Transitional Housing

HOME funds may provide permanent housing after the more immediate needs of homeless persons are addressed through emergency shelter or transitional housing. The availability of permanent, affordable housing is a key element of the continuum of care.

Homelessness Prevention

HOME funds may be used to pay for security deposits for rental units if individuals or families lack adequate financial resources. HOME funds must be provided in accordance with the participating jurisdiction's written tenant selection policies for tenant-based rental assistance called for under §92.209(c) of the HOME regulations. The selection policies must be based upon locally established preferences or priorities.

Among other prevention activities, ESG funds may be used to assist persons who have received eviction or utility termination notices (see section II for details).

HOPWA funds may be used to make short-term payments for rent, mortgage, and utilities for up to 21 weeks per year. Moreover, HOPWA funds may be used to develop services-enriched community facilities for persons with low incomes who are infected with HIV but are not homeless so that homelessness is prevented.

IV. HOME AND THE HOMELESS and HIV/AIDS ASSISTANCE PROGRAMS

As shown in section III, the HOME, McKinney homeless assistance and HOPWA programs provide important resources for addressing homelessness. Individually, as shown in Table 8, the programs can accomplish a variety of activities. However, these programs can be combined, enabling one program to begin where another ends. For example, HOME funds could be used to develop transitional housing, and SHP funds (which can also be used for development) could be reserved for operating costs and supportive services to residents. Alternately, HOME funds could be used for housing rehabilitation and S+C funds could be used for project-based rental assistance in that housing.

The programs also work together when graduates of transitional housing move into HOME-assisted housing. These graduates are a good source of income-eligible participants for HOME-assisted housing, and they have the supportive services links from transitional housing. Moving to permanent housing completes the continuum of care for the graduates.

When planning the combination of programs, keep in mind that the rules of both programs must be met.

Grantees should also be reminded that other HUD programs such as CDBG, may be used to assist the homeless.

HOME and the Emergency Shelter Grant Program

- For transitional housing development - While HOME funds may not be used for emergency shelters, it may be used to pay costs of acquisition, rehabilitation, or new construction of transitional housing. ESG funds may also be used for rehabilitation of transitional housing. After the transitional housing is developed, ESG funds may pay some of the operating and essential services costs (limits are described in section II).

- For permanent, affordable housing - Persons leaving ESG-funded facilities can move into permanent, affordable housing developed with HOME funds or be given HOME tenant-based rental assistance.

- For homeless prevention - Under certain circumstances (described in Section II of this Notice, page 10, "Eligible Participants"), ESG funds may be used to assist persons in HOME-assisted housing who have received eviction or utility termination notices.

HOME and the Supportive Housing Program

- For supportive housing development - HOME funds may be used to pay costs of developing transitional or permanent housing for persons with disabilities. After the housing is developed, SHP funds may pay supportive services costs and some of the operating costs (up to 75% in first two years and up to 50% in following years).

- As match - HOME funds may be used for the 50% cash match needed when SHP funds are used for acquisition, rehabilitation, or new construction of transitional or permanent housing.

- For permanent, affordable housing - By using HOME funds to develop housing or provide tenant-based rental assistance, persons leaving SHP-funded transitional housing facilities have an opportunity to move into permanent, affordable housing.

HOME and Shelter Plus Care

- For development of S+C units - Sponsored-Based Rental Assistance (SRA), Project-Based Rental Assistance (PRA), Single Room Occupancy (SRO) - HOME funds may be used to pay costs of developing units to be used in SRA, PRA, and SRO components of the S+C program; S+C funds may be used to make the rental assistance payments. Neither HOME nor S+C funds may be used for supportive services, so other funding sources would be needed for them.

Where HOME funds are used in the project, the HOME rents apply. It is important to analyze proforma results using both HOME rents and the rents allowable under S+C to determine the feasibility of using HOME funds, especially in the SRO component. To more fully understand the implications for the SRO component, read the relevant text under HOME and the SRO Program below.

- For development of S+C units: Tenant-Based Rental Assistance (TRA) - HOME funds may also be used to develop units for participants in the TRA component. Participants may only be restricted to a particular unit in the first year of their participation and, thus, may move and take the rental assistance with them. However, since HOME funds are used in the project, the units will continue to be available to other low-income tenants.

HOME and the Section 8 SRO Moderate Rehabilitation Program

- For development of SRO units- HOME funds may be used for the construction, reconstruction, acquisition or rehabilitation of units to be used in the SRO program. There are several program requirements to consider:

  First, both the HOME and the SRO programs establish a maximum rent that may be charged for a unit. Generally, rents under the HOME program are more restrictive than the SRO program. However, HOME allows the maximum allowable rent under project-based assistance to be charged in units occupied by persons below 50% of area median income (§92.252(b)(2)). The SRO program allows a maximum rent of 120% of Fair Market Rent to allow amortization of debt incurred by the mandatory rehabilitation.

Second, the HOME program has different rent requirements based on the amenities in the SRO unit. If a HOME-assisted SRO unit contains neither food preparation nor sanitary facilities, or if the unit contains only one of these amenities, the maximum rent may be up to 75% of the Fair Market Rent for a zero-bedroom (efficiency) unit. If a HOME-assisted SRO unit contains both food and sanitary facilities, the maximum rents for 80 percent of the units may not exceed the High HOME rent amount. The High HOME rent amount is the lesser of the FMR for a 0-bedroom unit, or 30 percent of the amount that equals 65 percent of the median income for the area. The remaining 20% of the units must have rents that do not exceed the Low HOME rents. In the SRO program, the FMR calculation is the same regardless of the number of amenities.

HOME and the Title V Federal Properties Program

- For rehabilitation - HOME funds may be used to undertake any needed rehabilitation of a Title V property, provided that the nonprofit organization or state or local government holds deed to the property in question when the application for HOME rehabilitation funding is made. It has been the policy of the Department of Health and Human Services to limit homeless housing on Title V sites to transitional housing. Before committing HOME funds, check for deed restrictions regarding the use of the property.

Those States, local governments, and private nonprofit organizations (including CHDOs) with Section 501(c)(3) status interested in participating in the Title V program may contact the Division of Community Planning and Development in their local HUD Field Office. Field Office staff have lists of properties available and can give technical assistance.

HOME and the Housing Opportunities for Persons with AIDS (HOPWA) Program

- For supportive housing development - For example, HOME funds could be used to pay costs of developing housing or funding TBRA for persons with HIV/AIDS. After the housing is developed or supported, HOPWA funds may pay supportive services costs and operating costs for this housing effort.

- For homeless prevention - For example, HOPWA funds could be used to make a short-term payments for rent, mortgage, and utilities that prevents homelessness as well as ongoing costs for supportive services in HOME-assisted housing. Doing so would allow those residents to retain their housing. HOME can be used for security deposit assistance for eligible households.

This Notice serves to heighten the reader's awareness of the possibilities of combining HOME and homeless assistance program funds. Persons interested in combining HOME and homeless assistance funds should consult the applicable program regulations and other guidance to learn more about individual program requirements. The reader should be aware that whenever Federal program funds are combined, program coordinators are required to perform a subsidy layering analysis. This analysis ensures that the amount of Federal subsidy is appropriate for the project, and not in excess of what is required. Questions relating to the subsidy layering review or combining program funds should be directed to the Division of Community Planning and Development in local HUD Field Offices.